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Guaranteed Student
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The Montana
Guaranteed Student
Loan Program ...
annual report

THE MONTANA GUARANTEED STUDENT LOAN PROGRAM

1990 ANNUAL REPORT

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NOTE TO THE READER

With this year's Annual Report we have changed our reporting period from the State July/June fiscal year to the Federal October/September fiscal year. We did this because our database, which is maintained on the United Student Aid Funds' EAGLE software, uses the October/September fiscal year. The reports we must file with the Department of Education require the use of the federal fiscal year. The past practice of converting our database from the Federal to the State fiscal year has proven to be costly and time consuming. The reader is therefore cautioned in comparing statistical data with previous annual reports. If you have questions, please feel free to contact our office.

McMULLEN HALL
J. Heim
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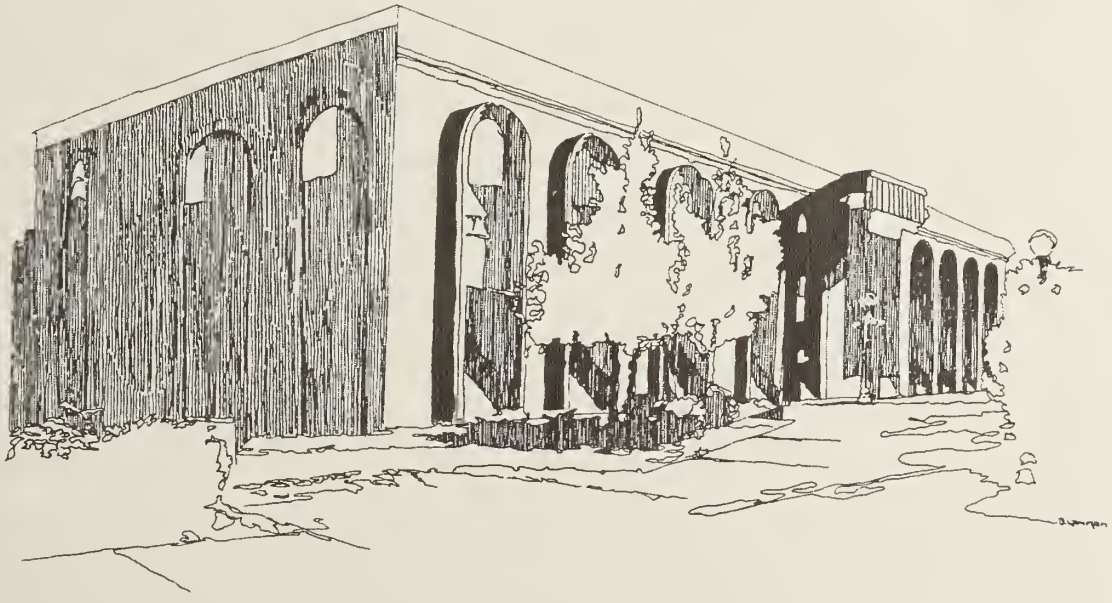
MONTANA



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1990 FINANCIAL HIGHLIGHTS

- Starting with the 1990 fiscal year, the information in this report will be based on the federal fiscal year October 1 through September 30.
- During fiscal year 1990, the Montana Guaranteed Student Loan Program guaranteed over $45.7 million in loans to eligible students.
- Combined cumulative dollar volume of the Stafford and PLUS/SLS programs increased to $298.8 million in fiscal year 1990.
- PLUS/SLS loan volume decreased with guaranteed loans valued at $8,782,708 compared to $9,825,959 in fiscal year 1989.
- The Montana Guaranteed Student Loan Program experienced a fiscal year 1990 default rate of 4.3%.

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MONTANA GUARANTEED STUDENT LOAN PROGRAM

35 South Last Chance Gulch • Helena, Montana 59620-3104
(406) 444-6594 FAX (406) 444-7729
Customer Assistance (800) 537-7508

EXECUTIVE MESSAGE

FY 1990 was a record year for the guarantee agency. The annual volume of loans guaranteed increased approximately 12%. This represents the largest volume ever in the nine-year history of the program. That growth has triggered increased activity in the other servicing units of the agency. However, we do not have an accurate comparison because pre-claims and post-claims were not operational last year. I do believe the turn-around time of claim review and claim payment has been shortened during the course of the year. The greatest accomplishment of the agency in FY 1990 was the implementation of the last phases of remote servicing. I feel the staffing and training completed will provide students, lenders, and schools the best servicing possible. As many of you know, the agency recently completed a survey requested by the Legislative Auditor to find out "how we are doing". I was pleased and overwhelmed with the results. Of course the reason for the good report card lies with the dedicated staff of the guarantee agency.

We are all looking forward to 1991. We want to fine tune some of the activities, implement in-house collections, test electronic data transmission from schools, and explore electronic funds transfer to schools. Eastern Montana College, Montana State University, Billings, Butte, Great Falls, Helena and Missoula Vocational Technical Centers and Dawson, Miles and Flathead Valley Community Colleges will transfer to the early semester system beginning Fall Quarter 1991. This transition may cause some disruptions but I believe we can all get through it. Fall Quarter 1992, University of Montana and Northern Montana College will change to the semester system.

The big news for the Commissioner's office, including the Guaranteed Student Loan Program and the Montana Higher Education Student Assistance Corporation, is the construction of a new building. Hopefully by October 1, 1992 we will have a new address and new quarters.

Thanks to lenders, schools, United Student Aid Funds, student borrowers, and guarantee agency staff for a successful 1990!

Sincerely,

John M. Hutchinson

John Hutchinson
Commissioner of Higher Education
Montana University system

Bill Lannan

Bill Lannan, Director
Montana Guaranteed Student Loan Program

PROGRAM PROFILE

The Montana Guaranteed Student Loan Program (the Agency) commenced operation on July 1, 1980. Operating under the auspices of the Board of Regents of Higher Education, Montana's student loan program is administered under Title 20 Chapter 26 Part 11 of the Montana Codes Annotated (MCA).

The primary purpose of the Agency is to act as the guarantor of loans made to eligible borrowers by participating lenders. Those guaranteed loans are, in turn, reinsured by the federal government.

The Montana Guarantee Agency is responsible for the administration of the federal guaranteed student loan program which entails taking an active role in loan processing and servicing, regulations and compliance review, pre-claim and claims assistance, and collection assistance as required. The Agency also conducts school and lender training programs in addition to performing a school and student liaison function.

It is the goal of the Montana Guaranteed Student Loan Program to ensure no qualified student will be denied the opportunity to pursue a program of postsecondary education due to financial reasons.

PROGRAM SERVICES

STAFFORD LOAN PROGRAM

The Stafford loan program (formerly known as the guaranteed student loan) is the largest of the three federal programs administered by the Agency. Eligibility for a Stafford loan is based on financial need. Stafford student loans are available to undergraduate, graduate, and professional students that meet the eligibility requirements. Loan amounts, which are based on an academic year, may not exceed: $2,625 for first- and second-year undergraduate and vocational students; $4,000 for third, fourth, and fifth year undergraduate students; and $7,500 for graduate and professional students.

The repayment period for these low interest loans ordinarily begins within six months following graduation and continues for up to ten years. While the borrower is in school, and during the grace period following graduation, interest payments on Stafford loans are made directly to the lender by the federal government. Additionally, the interest rate is supplemented by a special allowance fee paid to the lender as assurance of a more equitable return on their investment.

This program benefits not only the students but the lenders as well.

PLUS/SLS PROGRAM

The parent loan program (PLUS) and supplemental loan for students program (SLS) are extensions of the Stafford program. The PLUS program offers loans to eligible parents of dependent undergraduate, vocational, graduate or professional students. The SLS program provides additional aid to eligible independent students. Dependent students, whose parents are ineligible for the PLUS program, may qualify for additional aid under the SLS program. The loan maximum for both the PLUS and SLS programs is $4,000 per academic year.

Any lender or educational institution approved by the federal government for participation in the Stafford program may also be eligible to participate in the PLUS/SLS program. Lenders must have a written agreement with the Montana Guarantee Agency to participate in the Montana PLUS/SLS program. An educational institution must have a cohort default rate below 30% in order to qualify.

The repayment period on PLUS/SLS loans begins within 60 days of the final loan disbursement and can continue for ten years. Under the SLS program, new borrowers attending school at least half-time may be eligible for deferment of the principal payments while in school. Since there is no interim period for PLUS/SLS loans, interest payments are the responsibility of the borrower, not the federal government. Montana lenders may require payment of interest on either a monthly or quarterly basis.

LOAN CONSOLIDATION PROGRAM

As part of the program's continuing effort to better serve student borrowers, a loan consolidation agreement has been entered into with Norwest Bank and the Montana Higher Education Student Assistance Corporation (MHESAC). Under the consolidation program, borrowers are able to consolidate multiple loans allowing for a more manageable repayment schedule. Any borrower with an outstanding balance of at least $5,000 is eligible to apply for consolidation provided the eligible loans are in the grace period, or in repayment. Loan types eligible under the program include Stafford Loan, SLS, Federal Insured Student Loan, Auxiliary Loans to Assist Students, Health Professions Student Loan, and Perkins Loans.

Consolidated loans differ from loans offered under the Guaranteed Student Loan Program in that the interest rate varies based on a weighted average, repayment occurs over a period of ten to twenty-five years, and an origination fee is not assessed. Additionally, should a consolidated loan be placed in deferment, the borrower assumes responsibility for payment of accrued interest. On September 30, 1990, MHESAC held a consolidated loan portfolio of 1,387 loans with a value of $13,783,556.

SECONDARY MARKET

A secondary market purchases student loans from lending institutions in order to provide these lenders with capital to re-invest in future student loans. The secondary market then bears the responsibility of servicing the loans through repayment. MHESAC serves as Montana's major secondary market. As of September 30, 1990, MHESAC had purchased portfolios valued at $195.4 million.

LENDER PARTICIPATION

One hundred sixty-five Montana financial institutions, MHESAC, Citibank, and Chase Manhattan Bank of New York have taken an active role in Montana's student loan program. Thanks in part to the efforts of these lenders, Montana residents have been able to attend 36 in-state and over 500 out-of-state institutions.

The 15 most active Montana lenders have produced 87% of the total fiscal year 1990 loan volume, representing loans valued at $44.4 million. First Bank Montana, N.A. in Great Falls disbursed 25.3% for a total of $12.8 million. This total represents the combined efforts of 11 Montana First Bank members.

Student loan activities have also been consolidated for eight Montana Norwest Banks under an agreement with the Norwest Student Loan Center in Sioux Falls, South Dakota, 15 Bank of Montana System members, as well as seven Montana Bancsystem members.

COMPLIANCE AND PROGRAM REVIEW

By complying with federal regulations, schools and lenders contribute to the success of the student loan program. Two full-time Program Specialists in the Compliance and Program Review unit assist the schools and lenders to ensure proper administration of the loan program at the school and lender levels.

Among the services offered by the Program Specialists are on- and off-site reviews of internal operating procedure followed by participating schools and lenders, program efficiency evaluations, staff training, and information dissemination at the school and lender levels. They also provide assistance to the Department of Education during program reviews of participating institutions.

CLAIMS, PRE-CLAIM/DEFAULT ACTIVITIES

Lenders service student loans from origination to payment-in-full. However, in the event of a potential default, pre-claim assistance is provided by the Agency as a supplement to the lender's collection efforts. Assistance may be requested following the 60th day of delinquency. Collection efforts by the lender must continue up to the 180th day of delinquency in accordance with state and federal due diligence procedures. If the borrower fails to make required payments, a lender can file a claim for payment with the guarantee agency after the 180th day. The guarantee agency reviews the loan to ensure the lender performed proper collection activities before purchasing the defaulted loan. Compliance with state and federal regulations guarantees the lender 100% of the unpaid principal balance outstanding on the defaulted loan, in addition to accrued interest up to a maximum of 390 days.

Once the guarantee agency buys a defaulted student loan from the lender, the account is assigned to a collection agency close to the borrower's geographic location. Should the student borrower become permanently disabled or die, the debt is written off. Proper documentation from the borrower's doctor, or in the event of death, a death certificate, is needed before a write-off can be processed. A parent borrower in the PLUS loan program may be absolved under those circumstances as well. Bankruptcy will generally not absolve the debtor of his/her student loan obligation.

The program's net default rate has fluctuated over the last 10 years of program operation, rising to a high of 6.03% at the end of fiscal year 1986. This increase was due in part to a change in the formula used for calculating the default rate. For the purpose of this report, the net default rate is computed by dividing the difference between claims paid and recovered by the amount of loans outstanding.

The Montana Guaranteed Student Loan Program experienced a fiscal year 1990 default rate of 4.3%.

PROGRAM HIGHLIGHTS

1990 IN REVIEW

At the close of fiscal year 1990, the Montana Guaranteed Student Loan Program had cumulatively guaranteed loans in excess of $298 million representing 236,286 disbursements to over 68,000 eligible borrowers. This is an 12% increase in combined Stafford and PLUS/SLS loan volume over fiscal year 1989. In comparison with fiscal year 1989, the average disbursement of $1,060 reflects a slight decrease. The program provided guarantees for approximately 17,000 Stafford loans with a net value of $45,778,352, in fiscal year 1990.

The PLUS/SLS program, now in its eighth year of operation, experienced a slight decrease in loan volume compared to fiscal year 1989: 5,896 disbursements valued at $8,782,708. The decrease in this fiscal year volume may be due to new cohort default regulations causing some schools to voluntarily discontinue participation. Cumulatively, the program has guaranteed PLUS/SLS loans totaling $32,043,700.

Loans obtained by students attending out-of-state educational institutions represent 5.8% of the total guarantees.

As authorized by the Montana University System Board of Regents, the Montana Guaranteed Student Loan Program has assumed responsibility for processing student loans. On April 4, 1988, the Montana Guaranteed Student Loan Program began transferring the day-to-day program operations from its servicer, United Student Aid Funds Group located in Indianapolis, Indiana, to Helena. In March of 1990 the final phase was completed. Today there are approximately 36 Helena employees conducting the services of the Montana Guaranteed Student Loan Program. The local program expansion benefits not only program participants by providing more personal, accessible service, but Montana's economy as well with the addition of new employees and the infusion of funds previously spent out-of-state.

STATISTICAL DATA

The guaranteed student loan program is a federal program. The federal government requires that the Montana Guaranteed Student Loan Program report to them on the federal fiscal year, October 1 through September 30.

The following statistical information is based on data gathered since the beginning of the program. As federal regulations have changed, so have the methods of collecting data. The changes in data gathering have affected the cumulative figures. It is therefore impossible to compare the totals from the different charts to each other as different assumptions have been made on the reports used, some figures are gross totals, while others are shown net of claims and/or cancellations.

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- Borrowers by School Type
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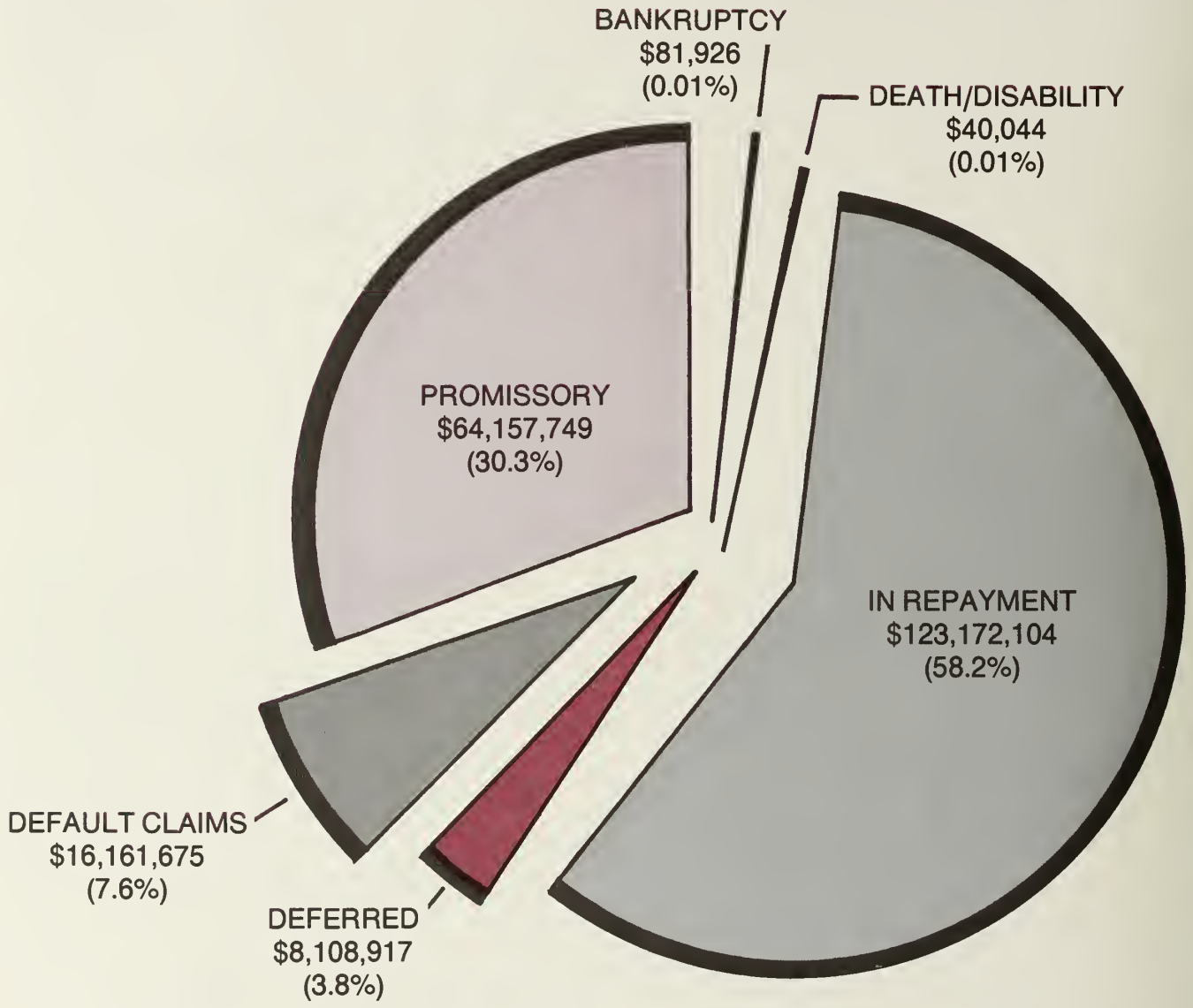
CURRENT STATUS OF STUDENT LOAN PORTFOLIO

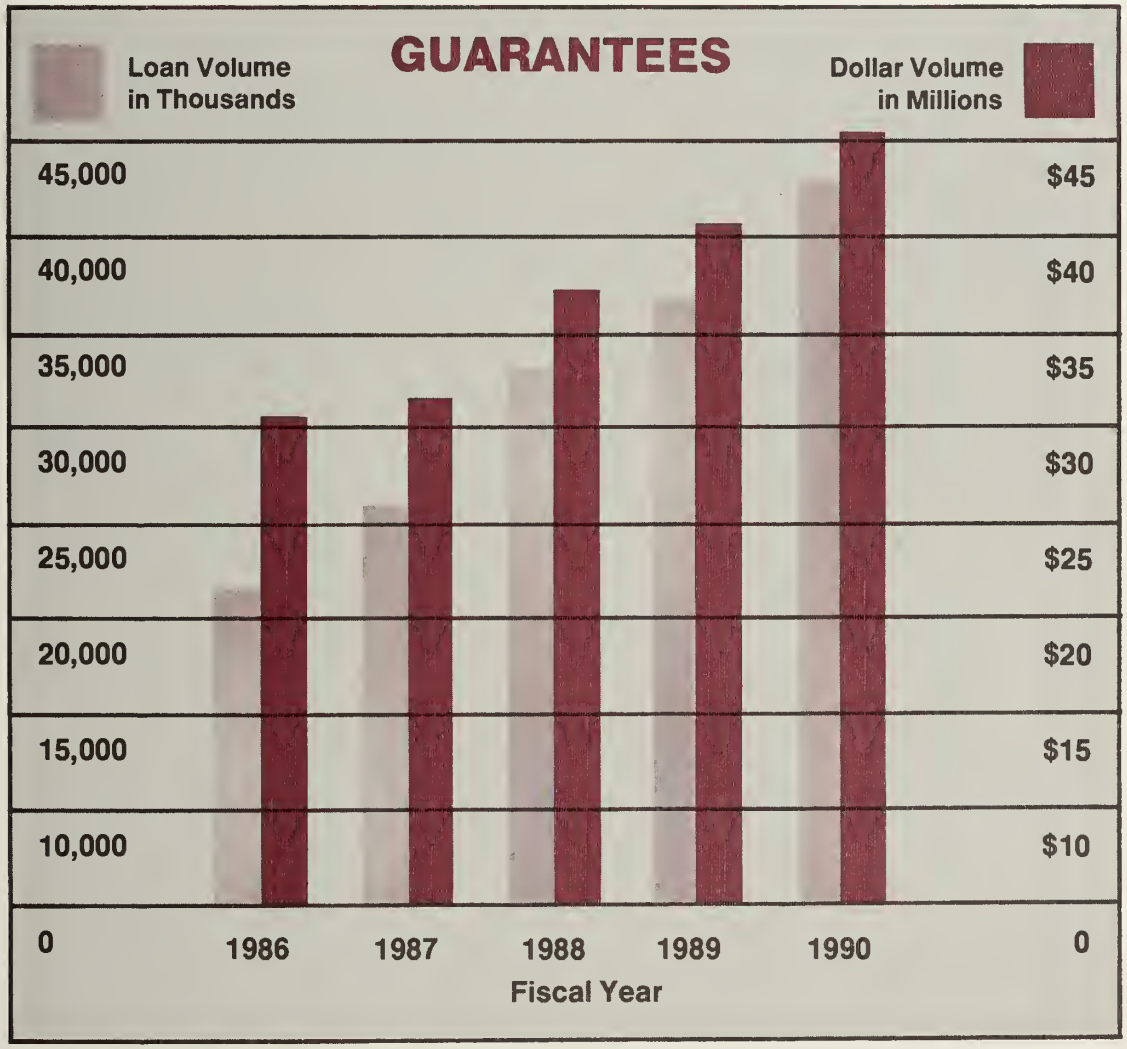


SECTOR	NUMBER OF DISBURSE-MENTS	DOLLAR VOLUME	% OF TOTAL
Promissory	58,747	$ 64,157,749	30.3%
Deferred	5,441	8,108,917	3.8
Repayment	78,317	123,172,104	58.2
Death/Disability	426	40,044	*
Default	10,571	16,161,675	7.6
Bankruptcy	68	81,926	*
Total	153,570	$211,722,415	100.00%

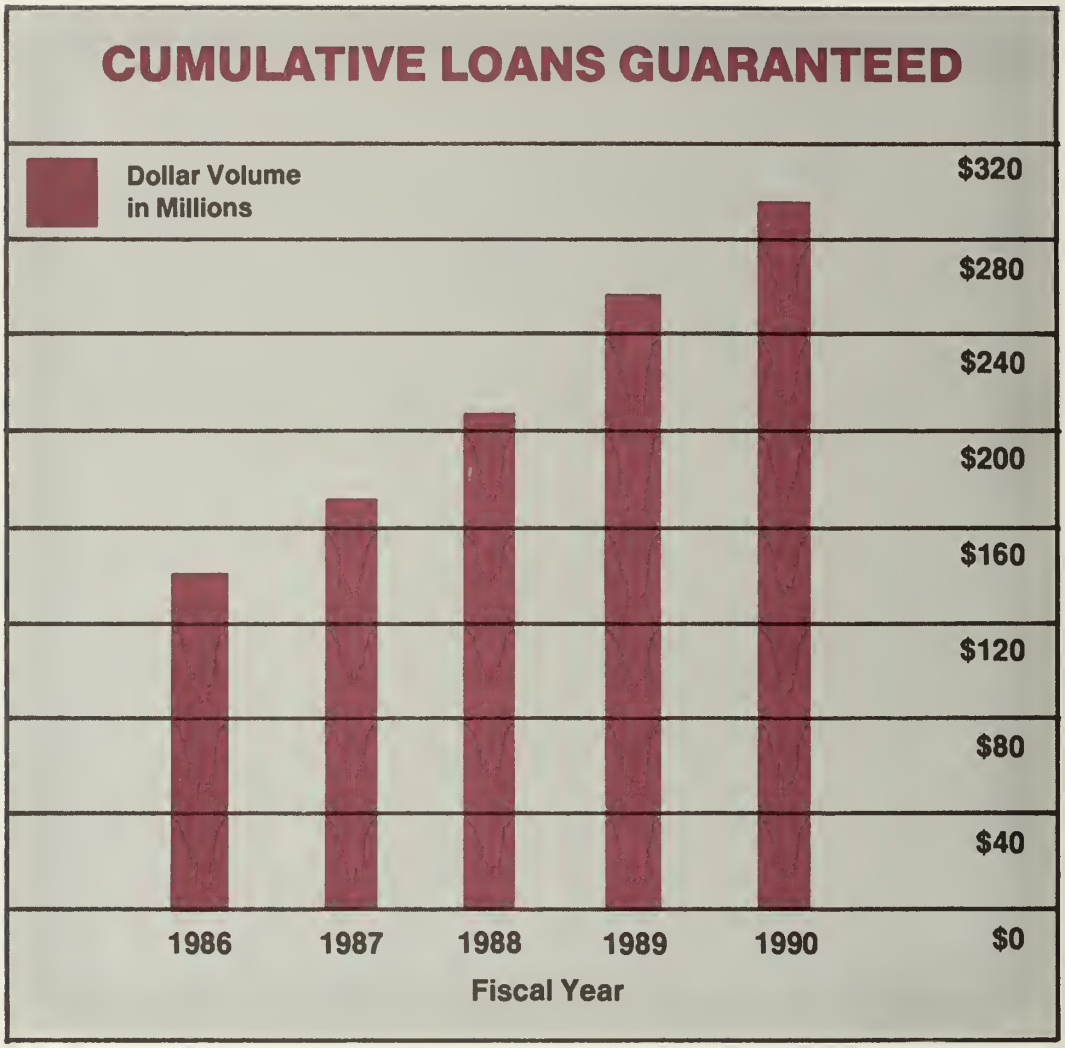
* less than 0.1% of total

GUARANTEES ISSUED BY YEAR

FISCAL YEAR	NUMBER OF DISBURSE-MENTS	FY VOLUME	AVERAGE LOAN	CUMULATIVE VOLUME
1986	21,880	$30,865,378	$1,411	$143,668,218
1987	25,830	31,150,781	1,206	174,818,999
1988	33,003	37,421,454	1,134	212,240,453
1989	37,003	40,872,657	1,105	253,113,110
1990	43,201	45,778,352	1,060	298,891,462



The increase in the number of loans, as well as the decrease in the average loan, is attributable to multiple disbursements for individual borrowers. The statistics maintained by the Agency count each disbursement as a separate loan.



CLAIMS AND COLLECTIONS

for the five most recent fiscal years

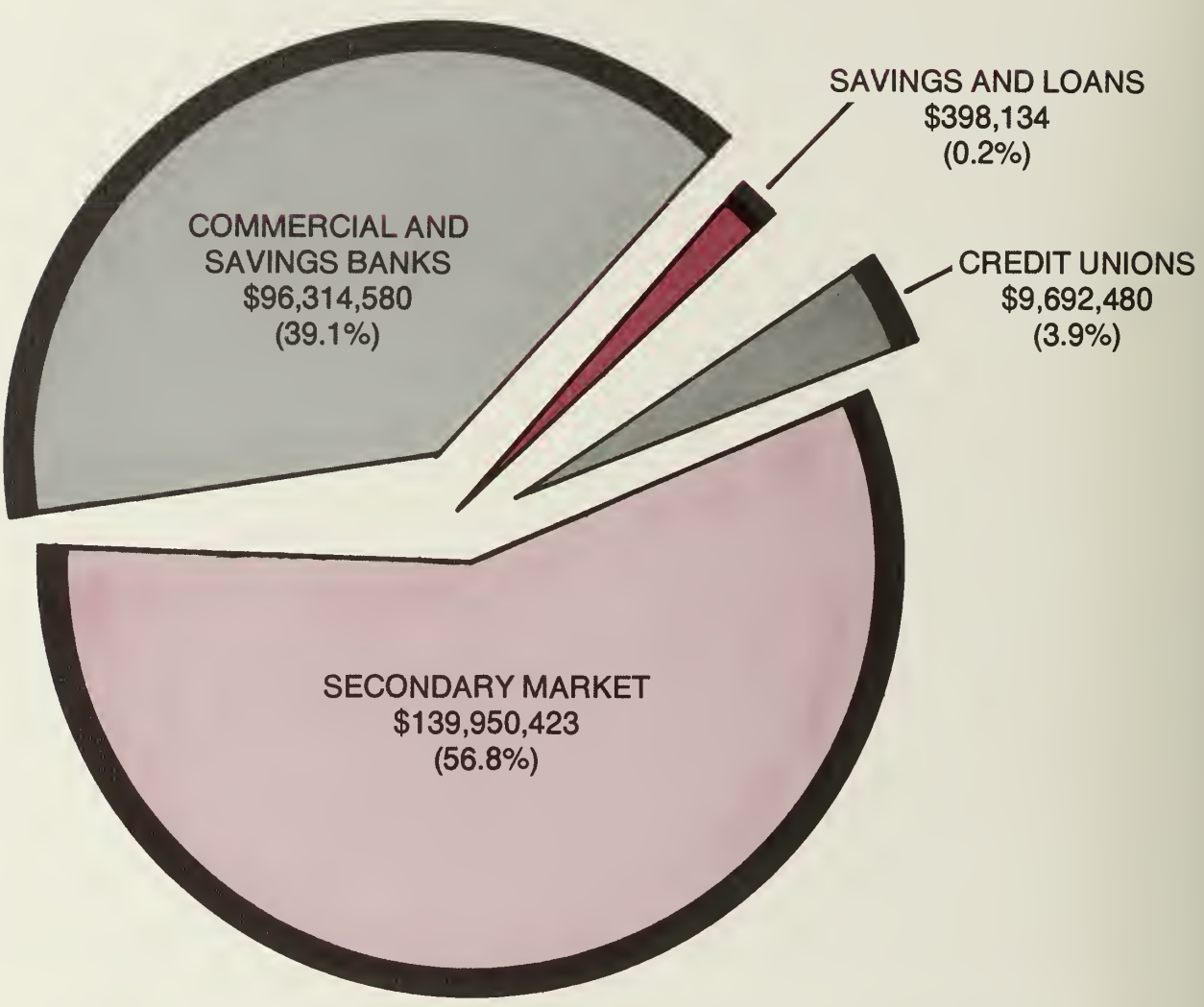
FISCAL YEAR	CLAIMS PAID	COLLECTIONS	RATE OF RECOVERY
1986	3,163,858	411,301	13.0
1987	4,358,403	646,567	14.8
1988	4,344,947	1,252,082	28.8
1989	5,958,663	1,913,733	32.1
1990	6,113,232	2,048,253	33.5
TOTAL	$23,939,103	$6,271,936	26.2%

FIFTEEN MOST ACTIVE LENDERS

LENDER	NUMBER OF DISBURSE-MENTS	FY 90 LOAN VOLUME	% OF TOTAL
First Bank Montana, N.A.[1]	11,869	$12,867,289	25.3%
Norwest Student Loan Center[2]	9,849	11,075,740	21.8
Bank of Montana System[3]	7,861	8,050,862	15.8
1st Interstate Bank - Missoula	4,382	4,030,314	7.9
Montana Bank of Bozeman	3,488	3,142,546	6.2
1st Security Bank of Bozeman	1,081	1,138,948	2.2
1st Liberty FCU - Great Falls	651	762,179	1.5
1st Interstate Bank - Kalispell	590	624,537	1.2
Missoula FCU	529	528,762	1.0
Valley FCU - Billings	444	449,789	0.9
Great Falls Teachers FCU	308	388,586	0.8
Montana Bank of South Missoula	364	381,889	0.7
First National Bank - Glendive	355	344,967	0.7
Montana FCU - Great Falls	301	343,581	0.7
State Bank & Trust - Dillon	324	331,625	0.7
TOTAL	42,396	$44,461,614	87.4%
All Other Lenders	10,615	6,387,371	12.6
GRAND TOTAL	53,011	$50,848,985	100.0%

[1]Combined total representing eleven Montana First Bank members.
[2]Combined total representing eight Montana Norwest Bank members.
[3]Combined total representing fifteen Bank of Montana System members.

DISTRIBUTION BY LENDER TYPE



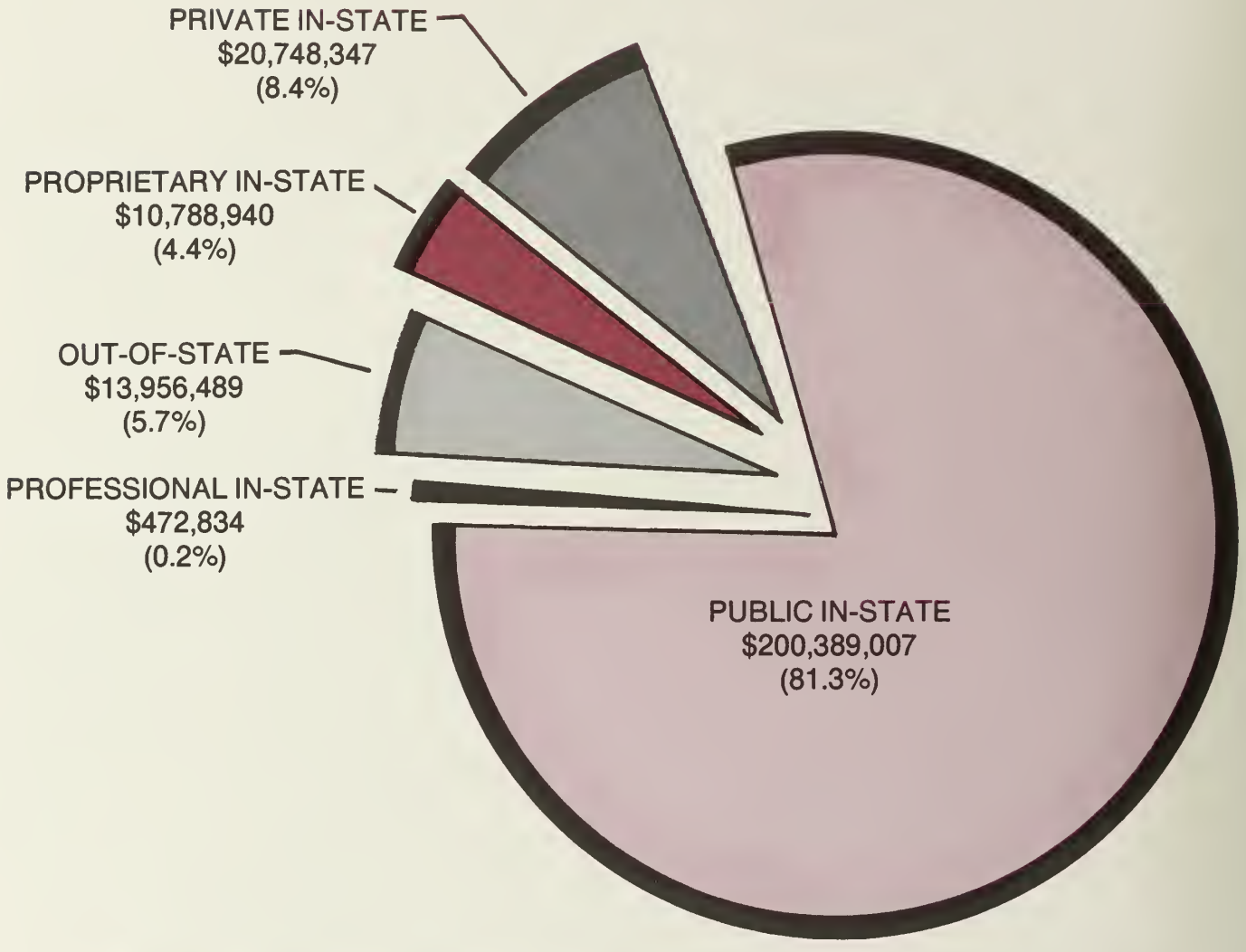
SECTOR	NUMBER OF DISBURSE-MENTS	DOLLAR VOLUME	% OF TOTAL
Commercial and Savings Banks	80,947	$ 96,314,580	39.1%
Credit Unions	8,490	9,692,480	3.9
Savings and Loans	278	398,134	0.2
Secondary Market	93,560	139,950,423	56.8
Total	183,275	$246,355,617	100.0%

FIFTEEN LARGEST RECIPIENTS OF STUDENT LOAN FUNDS

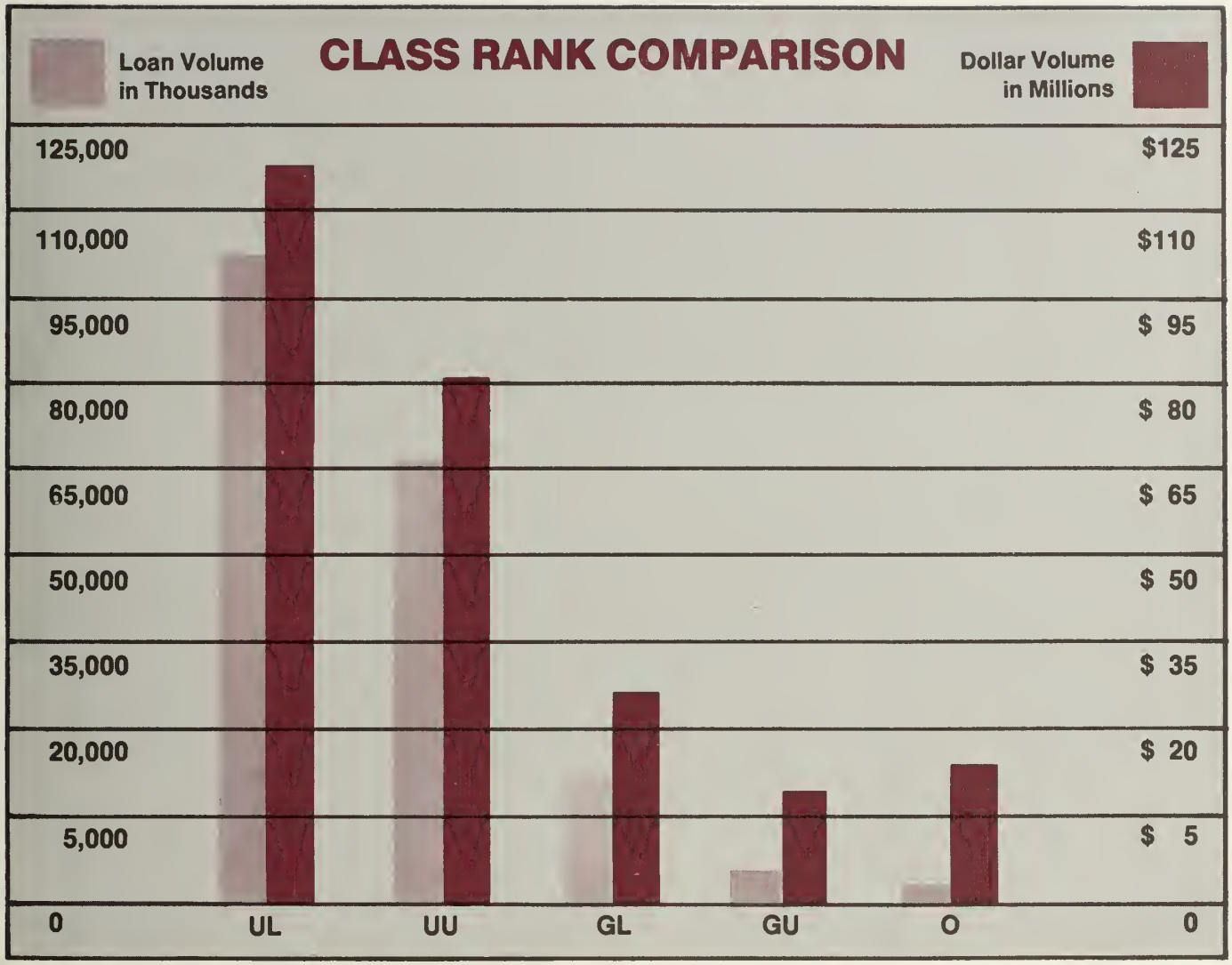
(Cumulative)

SCHOOL	NUMBER OF DISBURSE-MENTS	NET DOLLAR VOLUME	% OF TOTAL
Montana State	48,395	$ 57,232,559	23.2%
University of Montana	35,024	41,320,359	16.8
Eastern Montana College	14,929	16,341,557	6.6
Carroll College	5,161	7,905,542	3.2
Northern Montana College	7,693	7,897,604	3.2
College of Great Falls	6,030	7,692,920	3.1
Rocky Mountain College	3,810	5,781,807	2.4
Helena Vo-Tech	3,391	4,495,394	1.8
Montana Tech	2,532	3,637,423	1.5
Western Montana College	2,625	3,219,554	1.3
Miles Community College	2,503	2,696,713	1.1
Great Falls Vo-Tech	2,324	2,588,508	1.1
Billings Vo-Tech	1,799	2,213,761	0.9
Missoula Vo-Tech	1,961	2,174,086	0.9
Flathead Valley Comm. College	1,587	1,762,643	0.7
TOTAL	139,764	$166,960,430	67.8%
All Other Schools	43,511	79,395,187	32.2
GRAND TOTAL	183,275	$246,355,617	100.0%

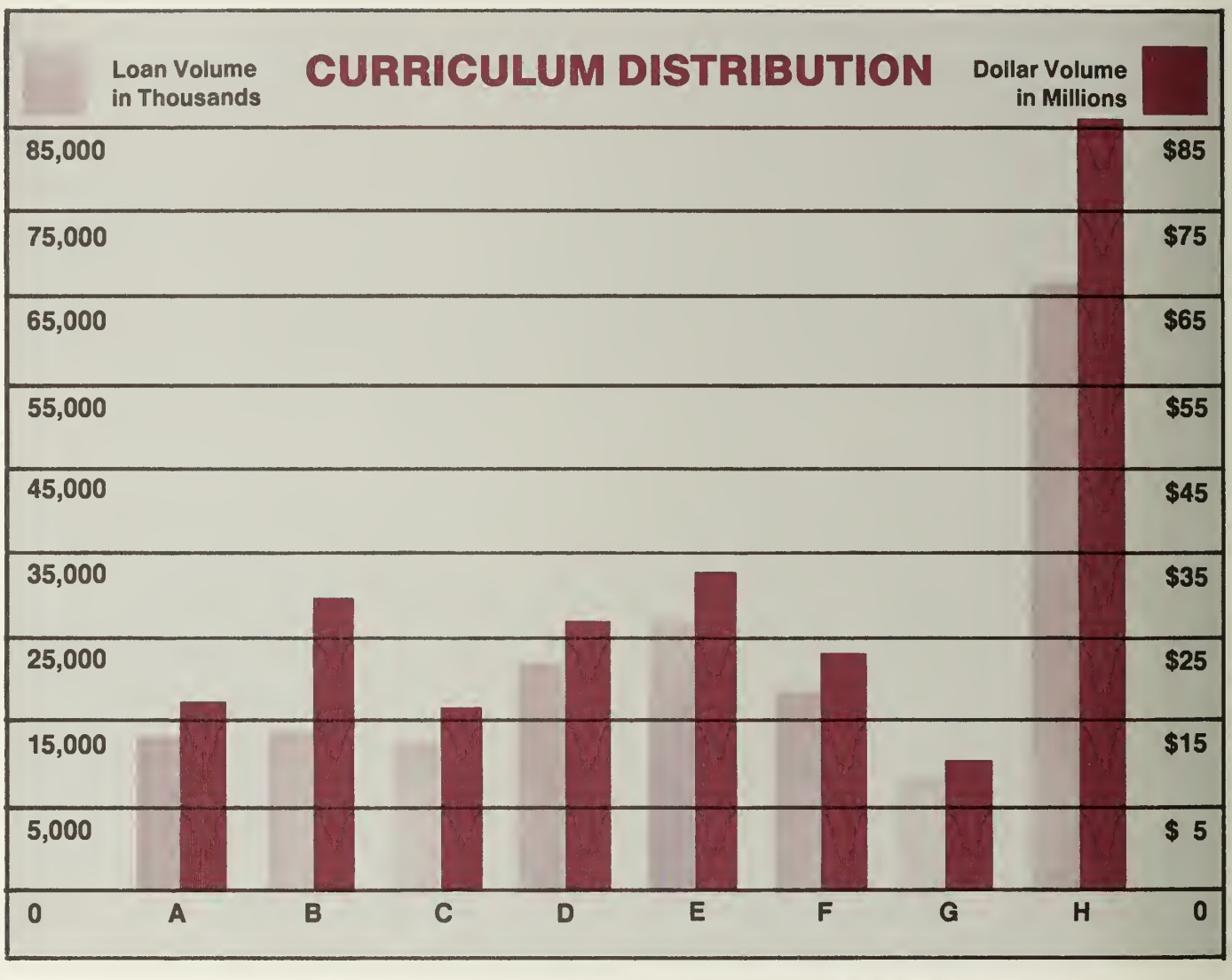
BORROWERS BY SCHOOL TYPE



SECTOR	NUMBER OF DISBURSE-MENTS	DOLLAR VOLUME	% OF TOTAL*
Public In-State	138,052	$200,389,007	81.3%
Private In-State	15,626	20,748,347	8.4
Proprietary In-State	7,448	10,788,940	4.4
Professional In-State	283	472,834	0.2
Out-Of-State	21,866	13,956,489	5.7
Total	183,275	$246,355,617	100.0%



CLASS	NUMBER OF DISBURSE-MENTS	DOLLAR VOLUME	% OF TOTAL	AVERAGE LOAN
Undergraduate - Lower Level (UL)	103,055	$117,726,688	47.8%	$ 1,142
Undergraduate - Upper Level (UU)	65,272	81,128,749	32.9	1,243
Graduate - Lower Level (GL)	10,557	25,317,978	10.3	2,398
Graduate - Upper Level (GU)	2,954	7,824,516	3.2	2,649
Other (O)	1,437	14,357,686	5.8	9,991
TOTALS	183,275	$246,355,617	100.0%	



CURRICULUM	NUMBER OF DISBURSE-MENTS	DOLLAR VOLUME	% OF TOTAL	AVERAGE LOAN
Liberal Arts (A)	13,834	$ 17,731,978	7.2%	$1,282
Professional(B)	14,467	30,813,867	12.5	2,130
Engineering (C)	13,080	16,824,411	6.8	1,286
Education (D)	22,981	27,305,470	11.1	1,188
Business (E)	27,346	33,147,175	13.5	1,212
Science (F)	18,464	23,003,324	9.3	1,246
Vocational (G)	7,144	8,794,962	3.6	1,231
Other (H)	65,959	88,734,430	36.0	1,345
TOTALS	183,275	$246,355,617	100.0%	

MANAGEMENT ROSTER

Dr. John M. Hutchinson, Commissioner of Higher Education
Montana University System

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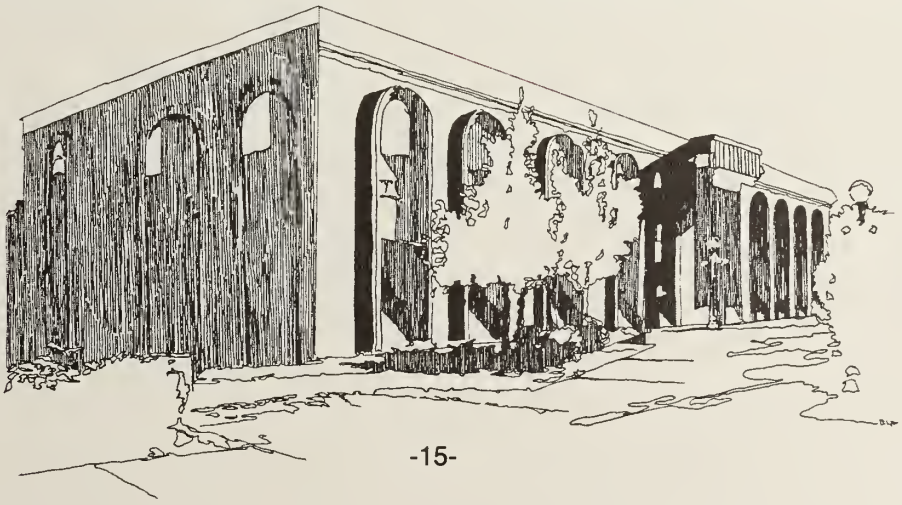


PARTICIPATING LENDERS

The following lenders, through their participation in the Montana Guaranteed Student Loan Program, have helped open the doors to a brighter future for many Montana students by providing the funds necessary for their post-secondary education.

United Bank of Absarokee
Norwest Bank of Anaconda
Southwest Montana FCU, Anaconda
Cheyenne Western Bank, Ashland
Montana Bank of Baker
Bank of Baker
Valley Bank, Belgrade
First Federal Savings Bank, Bigfork
Flathead Bank, Bigfork
Northern Bank of Montana, Big Sandy
Citizens Bank & Trust, Big Timber
First Security Bank, Big Timber
American Bank, Billings
First Bank of Billings
First Bank West, Billings
First Interstate Bank of Billings
First Interstate Billings Heights
Montana Bank of Billings
Mountain State FCU, Billings
Norwest Bank of Billings
Valley FCU, Billings
Empire Federal Savings, Bozeman
First Bank of Bozeman
First Security Bank, Bozeman
Montana Bank of Bozeman
State Capitol Employees CU, Bozeman
Bank of Bridger
Broadus FCU
Powder River County Bank, Broadus
First Bank of Butte
First Citizens Bank, Butte
Miners Bank, Butte
Montana Bank, Butte
Norwest Bank of Butte
Olympus Bank, Butte
Silver Bow County School FCU, Butte
Southwest Montana FCU, Butte
Liberty Bank of Montana, Chester
Blaine Bank of Montana, Chinook
Western Bank, Chinook
Citizens State Bank, Choteau
McCone County FCU, Circle
Montana Bank of Circle
First Interstate Bank, Colstrip
First Federal Savings Bank, Columbia Falls
Yellowstone Bank, Columbus
Farmers State Bank, Conrad
Pondera Bank of Montana, Conrad
First Federal Savings, Cut Bank
First Interstate Bank of Glacier Co., Cut Bank
Culbertson State Bank
Peoples Bank, Deer Lodge
First Security Bank, Deer Lodge
Norwest Bank, Dillon
Pioneer Federal Savings, Dillon
State Bank & Trust, Dillon
Dutton State Bank
First National Bank, Ekalaka
First National Bank, Eureka
Fairview Bank
First State Bank, Forsyth
Montana Bank of Forsyth
First State Bank, Fort Benton
First State Bank, Froid
First National Bank, Geraldine
First National Bank, Glasgow
First Security Bank, Glasgow
Treasure State Bank, Glasgow
Valley Bank, Glasgow
United Montana FCU, Glasgow (closed)

First Fidelity Bank, Glendive
First National Bank, Glendive
First Security Bank, Glendive
Central Bank of Montana, Great Falls
Cicosta FCU, Great Falls
Eastside Bank of Montana, Great Falls
First Bank Montana, N.A., Great Falls
First Interstate Bank, Great Falls
First Bank West, Great Falls
First Liberty FCU, Great Falls
Golden Triangle FCU, Great Falls
Great Falls Gov't Empl. FCU
Great Falls Teacher FCU
Montana Federal CU, Great Falls
Norwest Bank, Great Falls
Village Bank of Great Falls
Citizens State Bank, Hamilton
First Federal Savings & Loan, Hamilton
Ravalli County Bank, Hamilton
First Interstate Bank, Hardin
Little Horn State Bank, Hardin
Continental National Bank, Harlowton
Bear Paw Credit Union, Havre
Citizens Bank of Montana, Havre
First Bank, Havre
First Security Bank, Havre
Bank of Montana, Helena
Bank of Montana System, Helena
First Bank, Helena
First Security Bank, Helena
MHESAC, Helena
Norwest Bank, Helena
State Capitol Empl. CU, Helena
Valley Bank, Helena
Western Federal Savings, Helena
First National Bank, Hinsdale
First Federal Savings & Loan, Kalispell
First Interstate Bank of Montana, Kalispell
First Security Bank, Kalispell
Norwest Bank, Kalispell
Valley Bank, Kalispell
First Security Bank, Laurel
Laurel FCU
Yellowstone Bank, Laurel
First National Bank, Lewistown
Midstate Bank, Lewistown
Norwest Bank, Lewistown
First National Bank, Libby
Empire Federal Savings & Loan, Livingston
First National Park Bank, Livingston
Montana Bank, Livingston
First Security Bank, Malta
First State Bank, Malta
First Bank, Miles City
First Interstate Bank, Miles City
First Security Bank, Miles City
First Bank Southside, Missoula
First Bank Western Montana, Missoula
First Federal Savings & Loan, Missoula
First Interstate Bank, Missoula
Missoula Bank of Montana
Missoula FCU
Montana Bank of South Missoula
First National Bank, Plains
Montana National Bank, Plentywood
Security State Bank, Plentywood
First Citizens Bank, Polson
First Federal Bank, Polson
Security State Bank, Polson
Traders State Bank, Poplar
Montana Bank, Red Lodge
United States National Bank, Red Lodge
Richey National Bank
Ronan State Bank
Valley Bank, Ronan
First Security Bank, Roundup
Montana Bank, Roundup
Farmers Merchants Bank, Rudyard
Citizens State Bank, Scobey
Daniels Sheridan FCU, Scobey
First Valley Bank, Seeley Lake
Toole County State Bank, Shelby

First United Bank, Sidney
Montana Bank, Sidney
Richland Federal CU, Sidney
Richland National Bank, Sidney
First State Bank, Stevensville
Lake County Bank, St. Ignatius
Montana Bank of Mineral County, Superior
State Bank of Terry
First State Bank, Thompson Falls
State Bank, Townsend
Valier Bank of Montana
First National Bank, White Sulphur Springs
First Federal Savings, Whitefish
First National Bank, Whitefish
Mountain Bank, Whitefish
Citizens First National Bank, Wolf Point
Western National Bank, Wolf Point
Wolf Point FCU
Citibank, N.A. - Rochester, NY
Norwest Bank - Sioux Falls, SD
Student Loan Marketing Association (Sallie Mae) - Washington, DC
First American Savings Bank - Colorado (closed)

PARTICIPATING INSTITUTIONS

The following institutions of post-secondary education represent recipients of student loan funds within Montana.

Academy of Cosmetology, Bozeman
Acme Beauty College, Billings
Big Sky College of Barbering, Missoula
Billings School of Barbering and Hair Styling
Billings Vocational Technical Center
Butte Academy of Beauty Culture
Butte Vocational Technical Center
Carroll College, Helena
College of Coiffure Art, Ltd., Billings
College of Great Falls
Columbus Hospital School of Radiologic Technology, Great Falls
Dahl's College of Beauty, Inc., Great Falls
Dawson Community College, Glendive
Denver Business College, Billings Branch
Eastern Montana College, Billings
Flathead Valley Community College, Kalispell
Fort Belknap Community College, Harlem
Great Falls Vocational Technical Center
Helena Vocational Technical Center
International School of Cosmetology, Great Falls
LaReina School of Cosmetology, Billings (closed)
Maddio's Hairstyling and Cosmetology College, Helena
May Technical College, Billings and Great Falls
Miles Community College, Miles City
Missoula Vocational Technical Center
Montana College of Mineral Science and Technology, Butte
Montana Deaconess Hospital of Medical and Radiological Tech., Great Falls
Montana State University, Bozeman
Mr. Mack's Bozeman Beauty College
Mr. Rich's Beauty College, Missoula
Northern Montana College, Havre
Rocky Mountain College, Billings
Salish Kootenai Community College, Pablo
University of Montana, Missoula
Western Montana College, Dillon

MONTANA GUARANTEED STUDENT LOAN PROGRAM
BALANCE SHEET
AS OF SEPTEMBER 30, 1990 AND 1989

Unaudited

	September 30, 1990	September 30, 1989
ASSETS		
Cash in Treasury	$ 154,699	$ 155,176
Interest Receivable	22,027	-0-
Accounts Receivable	345,786	101,238
Prepaid Expenses	3,445	2,260
Due from Federal Government (Note 4, 7)	867,646	2,575,963
Investments (Note 3)	3,293,095	2,847,300
Total Assets	$4,686,698	$5,681,937
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	$ 45,712	$ 761,961
Due to Federal Government (Note 8)	187,781	292,670
Deferred Revenue	3,466,294	3,018,261
Total Liabilities	$3,699,787	$4,072,892
Fund Balances:		
Restricted (Note 5)	$ 82,505	$ 89,112
Unrestricted	904,406	1,519,933
Total Fund Balance	$ 986,911	$1,609,045
TOTAL LIABILITIES AND FUND BALANCES	$4,686,698	$5,681,937

The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1990 AND 1989
unaudited

	September 30 1990	September 30 1989
REVENUE:		
Guarantee Fee Income	$ 876,810	$ 718,687
Administrative Cost Allowance (Note 6)	510,689	452,110
Investment Income	213,922	222,646
Collection Costs Retained	105,779	31,659
Recoveries of Defaults	18,056	23,674
TOTAL REVENUES	$ 1,725,256	$ 1,448,776
EXPENDITURES:		
Administrative Costs	$ 1,306,910	$ 1,259,997
Equipment & Intangible Assets	69,412	73,563
TOTAL EXPENDITURES	$ 1,376,322	$ 1,333,560
EXCESS REVENUES OVER/(UNDER) EXPENDITURES	348,934	115,216
LOSS FROM LITIGATION	(968,058)	0
PRIOR YEAR ADJUSTMENT (NOTE 9)	(3,010)	(293)
BEGINNING FUND BALANCE — October 1, 1981 and 1988	1,609,045	1,494,122
ENDING FUND BALANCE — September 30, 1990 and 1989	986,911	1,609,045

The accompanying notes are an integral part of this financial statement.

MONTANA GUARANTEED STUDENT LOAN PROGRAM

Notes to the Financial Statements
For the Years Ended September 30, 1990 and 1989

Unaudited

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Program

The State of Montana Guaranteed Student Loan Program (MGSLP) is located in the Office of the Commissioner of Higher Education. As a Special Revenue Fund, it accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The program was established by the Office of the Commissioner of Higher Education in fiscal year 1981 to coordinate and administer the federally insured student loans issued by various lending institutions within the State of Montana.

B. Basis of Accounting

The financial statements were prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded on the basis of valid obligations. Revenues are recorded when received in cash unless susceptible to accrual.

Revenues are susceptible to accrual if they are measurable and available to finance expenditures of the fiscal period or are not received at the normal time of receipt. Revenues are deferred if material and are received before the normal time of receipt or if received for a particular activity and the expense for the activity has not been incurred prior to fiscal year-end.

2. EMPLOYEES' RETIREMENT SYSTEM

The Guaranteed Student Loan Program employees are covered by either the Public Employees' Retirement System (PERS) or the Teachers' Retirement System (TRS), or the University System Optional Retirement Plan, TIAA-CREF.

Under PERS, the state contributes 6.417% of an employee's gross wages to PERS. The employee contributes 6.15% of his/her gross wages. Through the fiscal years ended September 30, 1990 and 1989, MGSLP contributed $22,211 and $8,147 respectively to PERS in employer contributions.

Under TRS, the State contributes 7.459% of an employee's gross wages to TRS. The employee contributes 7.044% of his/her gross wages. Through the fiscal years ended September 30, 1990 and 1989, MGSLP contributed $8,338 and $7,627 respectively to TRS in employer contributions.

Under TIAA-CREF, the state contributes 2.956% to TIAA and 4.503% to TRS. The employee contributes 7.044% of his gross wages to TIAA. Through the fiscal year ended September 30, 1990 and 1989, MGSLP contributed $662 and $598 respectively to TIAA.

The State's policy is to fund accrued pension costs although unfunded liabilities exist. Based on their most recent actuarial valuation reports, both the PERS and the TRS were actuarially sound.

Unaudited

3. INVESTMENTS

Investments are units purchased in the State of Montana's Short-Term Investment Pool (STIP) and are reflected at cost which equals market. The September 30, 1990 and 1989 balances reflect the following:

	1990		1989
Number of Units	32,911		28,473
Cost	$3,293,095	(including accrued interest)	$2,847,300

STIP securities include Banker's Acceptances, Commercial Paper, Corporate Obligations, Montana Certificates of Deposit, Government Securities, and Repurchase Agreements. At September 30, 1990, most securities (approximately 95%) were held by the state or its agent in the state's name. The remaining portion (approximately 5%) were loaned under a security lending agreement with the state's agent.

4. DUE FROM FEDERAL GOVERNMENT

The Montana Guaranteed Student Loan Program pays individual lending institutions for any loans that have been defaulted or are unpaid due to the death of the borrower. The MGSLP then seeks reimbursement from the Department of Education (D.E.) for payments made to lenders for the death and default claims. The extent of this outstanding activity is shown below:

	1990	1989
Claims due from D.E.	$611,603	$1,372,160
Plus ACA Fed. 4th quarter (Note 6)	256,043	235,745
Total spenddown receivable (Note 7)	-0-	968,058
Total due from Federal Government	$867,646	$2,575,963

5. RESTRICTED INCOME FUND BALANCE

This fund balance accounts for all interest earnings on the advances discussed in Note 7 as program regulations require these interest earnings be maintained for claim payments. Through September 30, 1990 MGSLP has paid $189,658 in claims.

ADMINISTRATIVE COST ALLOWANCE

The Administrative Cost Allowance (ACA) revenue is $510,689 and $452,110 for the years ended September 30, 1990 and 1989 respectively. This allowance is dependent upon the federal appropriation. It represents 1% of the loans guaranteed for the year.

Unaudited

7. LITIGATION/SUBSEQUENT EVENT

The program received $734,173 during the first six years of its operation from the United States Department of Education to assist the program in its start-up stages. These funds were restricted in their use and could be recalled by the federal government if the reserve maintained by the program exceeded certain requirements. At the end of February, 1988, MGSLP returned $493,830 of the original advance to the U.S. Department of Education and the final $240,343 was returned during November 1988. The Department of Education also notified MGSLP that the program must reduce its reserves by an additional $968,058. The Department of Education withheld the September 1988 through November 1988 payments in order to satisfy its spenddown requirement. MGSLP joined four other states in filing suit in federal district court in Denver to have this action declared unconstitutional.

On August 22, 1990, the Montana Guaranteed Student Loan Program was notified that its suit filed in U.S. Federal Court, Colorado District, was unsuccessful. Because of this notification, MGSLP recognized the spenddown loss for FY 90.

8. DUE TO FEDERAL GOVERNMENT

MGSLP seeks collection of loans that have been defaulted. Upon collection of all or a portion of a defaulted loan, MGSLP deducts an amount, not to exceed 30% of the collected amount, as a collection fee. Since the MGSLP previously received payment for the defaulted loan from the Department of Education, the amount of the new loan recovery is owed back to the Department of Education. The extent of this outstanding activity is shown below:

	1990	1989
Claims due to D.E.	$123,770	$233,734
Reinsurance federal 4th quarter	64,011	58,936
	$187,781	$292,670

9. PRIOR YEAR ADJUSTMENTS

The FY90 prior year adjustment of $3,010 consists of:

Adjustment - prior year share of litigation expense	$(5,004)
Adjustment - prior year expenditures	14
Adjustment - prior year over accrual of purchase orders	1,980
	$(3,010)

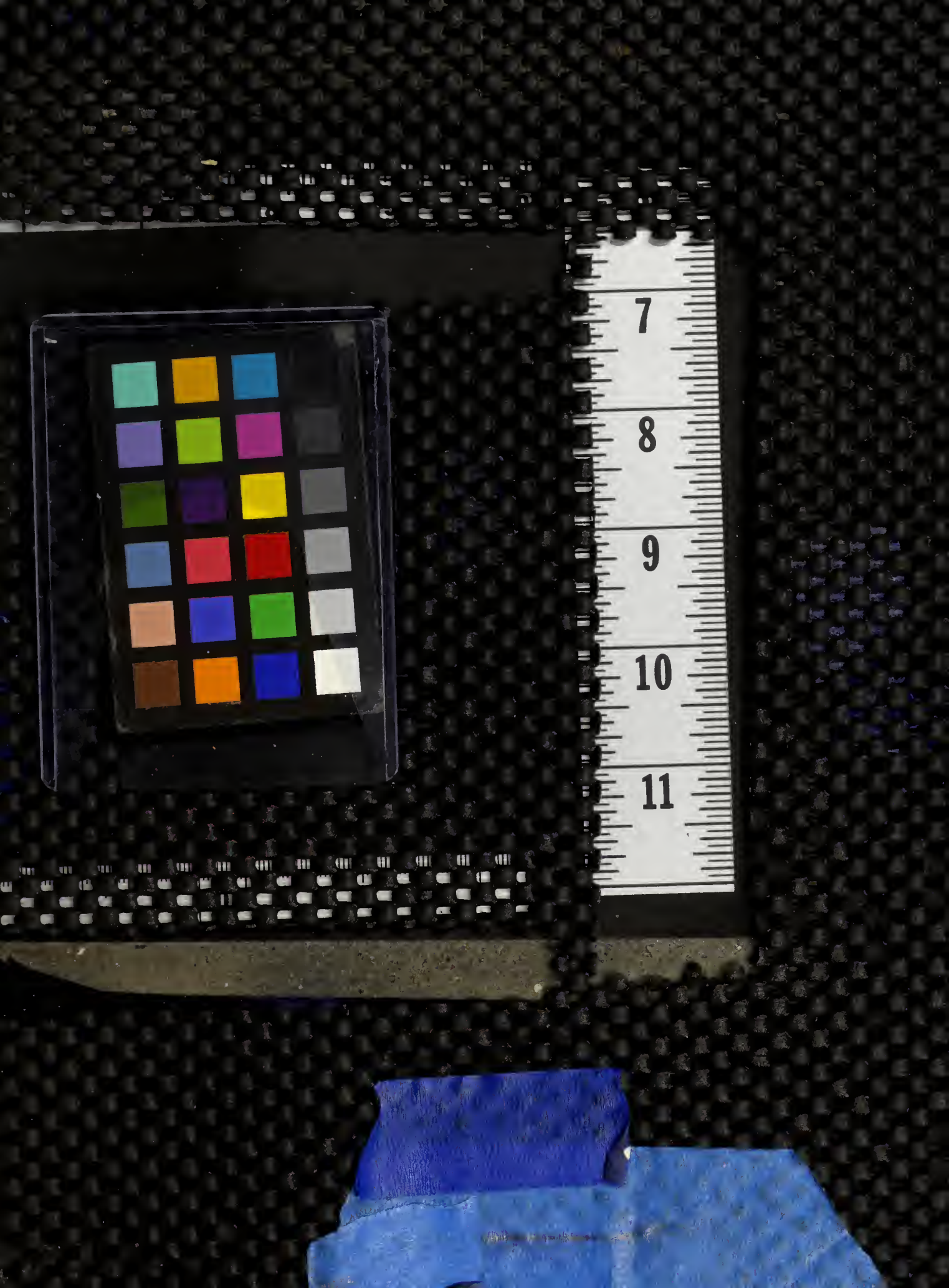
The FY89 prior year adjustment of $293 consists of:

Adjustment - prior year FY88 reinsurance expense	$ (289)
Adjustment - prior year expenditures	(4)
	$ (293)

10. DEFERRED REVENUE

Guarantee fees (3% of loans disbursed) are deferred and recognized over an eight year period which approximates the average life of student loans outstanding.

MONTANA GUARANTEED STUDENT LOAN PROGRAM
35 SOUTH LAST CHANCE GULCH
HELENA, MONTANA 59620-3104
(406) 444-6594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